

Exhibit 1
Payments in Lieu of Taxes (PILT)
Q & A from Public Act 513

Note: This document is applicable to PILT under the “purchased lands” provisions. The “swampland” payments, which are based on a straight \$2 per acre and paid in December of each year, were not changed by P.A. 513.

Question: Will there be summer PILT payments?

Answer: No. Public Act 513 provides for a single billing per year for all Department of Natural Resource (DNR) property.

Question: When is PILT to be billed?

Answer: At the same time as the winter taxes are levied. Taxing authorities are to submit one statement to the DNR which includes all DNR purchased land PILT parcels in their jurisdiction.

Question: When will the DNR make PILT payments on purchased lands for 2005 billings?

Answer: Assuming adequate appropriations and accurate billings from local units, the DNR believes all payments will be able to be processed by February 14, 2006.

If appropriations are not sufficient to make full payments, PA 513 requires that prorated payments be made. To accomplish this, the DNR must have received and audited for correctness all tax bills. To that extent, we will be somewhat dependent upon the accuracy and timeliness of billing statements provided by the local units.

Question: Do school millages need to be broken out?

Yes. Public Act 513 stipulates that school taxes are to be paid from the School Aid Fund (SAF). Therefore, the DNR needs each school millage specified as a school millage so that we can obtain funds from the SAF. This will allow the DNR to issue one warrant for all assessments, including the SAF share, to each jurisdiction. (See Exhibits 2 & 3 for suggested billing detail and format.)

Question: If payments are not made by February 14th is there penalty & interest?

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Answer: No. There is no specified due date when PILT payments are to be paid, and PA 513 removed the penalty and interest provision. It is, however, the DNR's intent to issue payments as soon as the amounts are determined and make every attempt to pay the bills by February 14th. Again, this will depend on the legislature providing the DNR adequate appropriations and also on the accuracy and adequacy of detail provided in the billings.

Question: Some jurisdictions only bill in the summer. Will the DNR pay summer taxes to villages?

Answer: Yes, however, payments will not be issued until the yearly payments are made, as described above. If the village bills are turned over to the county, the DNR will make payments to the county if the county notifies the DNR that they have bought the bills. Payments to counties, however, will not include penalty and interest.

Question: Can DNR property "revert" and be turned over to the county for collection?

Answer: No. There is no legal authority for State owned property to be subject to either reversion or other lien. While payment in lieu of taxes are determined similar to taxes, all government lands are exempt from the property tax and these payments are not "taxes."

Question: How is the "property valuation" determined?

Answer: Property valuation is determined by the Department of Treasury. Values of existing properties are frozen at the 2004 levels through 2008.

Question: What millage rates should be used in the billing?

Answer: Public Act 513, section 2153 (6) (c) says that assessments can not include "Any millage in excess of the rate levied in 2004." The specific level of assessment at which the millage is capped (individual, jurisdiction total, or total for a parcel) is not specified.

Question: If a certain millage expires or goes down, does that "free up" authority for another to be added or increased? If so, is that across all jurisdictions which can make levies against a particular parcel?

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Answer: The DNR intends to interpret this provision as liberally as possible, applying the cap to the total millage rate of all jurisdictions and types, rather than individual components. In other words, assuming total millage is above the 2004 rate, we will pay up to the total 2004 millage. Some components may be higher than in 2004, if others are lower. This method will result in higher payments to local units than the other alternatives.

It is not clear to us from the statute how the taxing authority will allocate the cap to various types of millage under the cap, should the total exceed the 2004 rate. We have taken no position on that possible question at this time.

Question: Will the DNR pay for State Education Tax (SET)?

Answer: No. Public Act 513 does not provide authority to local units to bill or for the DNR to pay for SET. SET assessments should not appear on the PILT billing statement.

Question: Will the DNR pay for special assessments, special improvements or administrative fees?

Answer: No. Public Act 513 does not provide authority for local units to bill or for the DNR to pay for these assessments.

Question: If the DNR acquires new property, how will it be valued and when will PILT be required?

Answer: For the first full year of PILT, the valuation will be based upon ½ of the true cash value. Millage rates shall be billed at the 2004 rate regardless of what year the property was purchased. The State Tax Commission has provided guidance on this question in a memorandum issued January 25, 2005.

Question: What if the PILT bill is sent and has a higher taxable value than in 2004 (land purchased before 2005) or ½ of the value in the year acquired (land purchased after 2005.)?

Answer: The DNR will only pay on the value assessed by the State Tax Commission. The payment will be adjusted by the DNR and it will be the taxing authority's responsibility to correct the open balance bill.

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Question: If the State does not provide sufficient appropriations to make full payment, PA 513, section 2154(93) provides for prorated payments. It also says: "... Partial payments do not satisfy payments obligated by this state." Does that mean the DNR will make payments at a future date?

Answer: If the DNR were to make partial payments due to insufficient appropriations, the DNR would notify the State Office of the Budget and the State Legislature. Our ability to make payments is dependent on receiving appropriations.

These questions and answers are intended to provide guidance to general questions pertaining to interpretation of P.A. 513 of 2004 and only reflect an attempt by the DNR to facilitate the statutory requirements.